

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Expedited Package Services 3 (MC2010-28)
Negotiated Service Agreement

Docket No. CP2016-192

PUBLIC REPRESENTATIVE COMMENTS ON POSTAL SERVICE NOTICE
CONCERNING ADDITIONAL GLOBAL EXPEDITED PACKAGE SERVICES 3
NEGOTIATED SERVICE AGREEMENT

(June 15, 2016)

The Public Representative hereby provides comments pursuant to Order No. 3358.¹ In that Order, the Commission established the above referenced docket to receive comments on a Postal Service Request to enter into an additional Global Expedited Package (GEP) Service 3 negotiated service agreement.²

Prices and classifications not of general applicability for GEP agreements were previously established by Governors' Decision No. 08-7, issued May 6, 2008. *Id.* at 1. GEP 3 agreements were later added to the competitive products list and the contract filed in Docket No. CP 2010-71 designated as the baseline agreement.³

The Postal Service asserts that the instant GEP 3 agreement is functionally equivalent to the baseline agreement for the first GEP 3 product updated for effective dates and other non-substantive changes. It states that the instant contract has the same cost and market characteristics as the baseline agreement. The Postal Service therefore requests that the instant GEP 3 agreement be included within the GEP 3 product. Notice at 4 - 7. The contract is effective for one year beginning July 1, 2016. *Id.* at 3.

¹ PRC Order No. 3358, Notice and Order Concerning Additional Global Expedited Package Services 3, Negotiated Service Agreement, June 8, 2016.

² Notice of United States Postal Service of Filing a Functionally Equivalent Global Expedited Package Services 3 Negotiated Services Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, June 7, 2016 (Notice).

³ See Docket Nos. MC2010-28 and CP2010-71, Order 503, Order Approving Global Expedited Package Services 3 Negotiated Service Agreement, July 29, 2010.

COMMENTS

The Public Representative has reviewed the Postal Service's Notice, the instant GEP 3 agreement and the supporting financial model filed under seal that accompanied the Notice. Based upon that review, the Public Representative concludes that the instant contract should be added to the existing GEPS 3 product. In addition, it appears the negotiated prices in the instant contract should generate sufficient revenue to cover cost.

Requirements of 39 U.S.C. § 3633. 39 U.S.C. § 3633 requires that prices for competitive products must cover each product's attributable costs, not result in the subsidization of competitive products by market dominant products, and enable competitive products as a whole to contribute an appropriate share to the institutional cost of the Postal Service. In addition, the Commission requires that each contract included within a GEP product must cover its attributable costs.⁴

The Postal Service's financial model indicates that the negotiated prices in the instant contract should generate sufficient revenue to cover cost and the addition of the instant contract to the product should also satisfy 39 U.S.C. § 3633.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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⁴ Section 2510.3.1(d) of the draft Mail Classification Schedule, posted January 15, 2016, and updated through April 8, 2016.